

HEALTH CARE FINANCING ADMINISTRATION OMB NO. 0938-0193

| | | |
|--|--|----------------------------------|
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION | 1. TRANSMITTAL NUMBER: TN 02-21 | 2. STATE Louisiana |
| | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) | |
| TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE December 4, 2002 | |

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

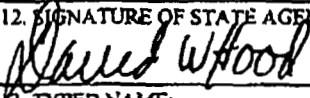
| | |
|--|---|
| 6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 413.30 and 413.40 | 7. FEDERAL BUDGET IMPACT: a. FFY <u>2003</u> (\$1,859.83) b. FFY <u>2004</u> (\$2,228.98) |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Item 1, Pages 5-7 | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same (TN 02-14) |

10. SUBJECT OF AMENDMENT:

The purpose of this amendment is to restore the reimbursement methodology for inpatient services provided by long term hospitals to the methodology in place prior to August 5, 2002. This amendment is being initiated as a result of the budget reduction mandated by Executive Order-MJF 02-29.

11. GOVERNOR'S REVIEW (Check One):

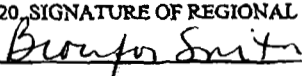
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☒ OTHER, AS SPECIFIED: The Governor does not review state plan material☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

| | |
|--|---|
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:  | 16. RETURN TO: State of Louisiana Department of Health and Hospitals 1201 Capitol Access Road PO Box 91030 Baton Rouge, LA 70821-9030 |
| 13. TYPED NAME: David W. Hood | |
| 14. TITLE: Secretary | |
| 15. DATE SUBMITTED: December 20, 2002 | |

FOR REGIONAL OFFICE USE ONLY

| | |
|--------------------------------------|--------------------------------------|
| 17. DATE RECEIVED: 12/3/02 | 18. DATE APPROVED: 1/23/03 |
|--------------------------------------|--------------------------------------|

PLAN APPROVED - ONE COPY ATTACHED

| | |
|--|---|
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: 12/4/02 | 20. SIGNATURE OF REGIONAL OFFICIAL:  |
| 21. TYPED NAME: CHARLENE BROWN | 22. TITLE: Deputy Director, CHSO |

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE OF LOUISIANA

ATTACHMENT 4.19-A
Item 1, Page 5

PAYMENT FOR MEDICAL AND REMEDIAL CARE SERVICES

METHODS AND STANDARDS FOR ESTABLISHING RATES - IN - PATIENT HOSPITAL CARE

1994) then arrayed by peer group from high to low in order to determine the median cost for the peer group. Fixed capital cost for each hospital/unit above the median was capped at the median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 3 - Calculation of blended component.

A blended component for each hospital was calculated comprised of 70% of the peer group median and 30% of the hospital specific component (capped at the median).

Step 4 - Calculation of capped weighted average.

A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (capped at the median) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals in the group.

Step 5 - Determination of hospital-specific component.

Each hospital's fixed capital cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

The inflation factor is not applied annually.

b. **Medical education cost.**

A facility-specific cost component is allowed for any hospital that maintains a program of "Approved Educational Activities" as defined in the *Medicare Provider Reimbursement Manual* § 402.1 and listed in § 404. The audit intermediary determines whether the hospital's program qualifies to have medical education costs included in each hospital's rate.

Hospitals which begin new qualifying programs are eligible to have this component included in calculation of the hospital's rate at the beginning of the state fiscal year subsequent to the hospital's valid request for medical education costs to be included, trended forward from the most recent filed cost report year to the current state fiscal year.

The component cost for each hospital that had qualifying program(s) in the hospital's base year cost report was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994). Costs are inflated for each subsequent non-rebasing year when the state legislature allocates funds for this purpose.

TN# 02-21 Approval Date JAN 23 2003 Effective Date DEC 4 2002
Supersedes
TN# 02-14

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE OF LOUISIANA

ATTACHMENT 4.19-A
Item 1, Page 6

PAYMENT FOR MEDICAL AND REMEDIAL CARE SERVICES
METHODS AND STANDARDS FOR ESTABLISHING RATES -IN- PATIENT HOSPITAL CARE

c. **Movable equipment cost.**

Items considered to be movable equipment are those included in the Medicare Provider Reimbursement Manual § 104.4 definition of "Major Movable Equipment".

Step 1 - Peer grouping.

Separate movable equipment cost component caps were established for each general hospital peer group, specialty hospital peer group and specialty unit peer group. In the case of a group with only one hospital, the hospital specific cost is used.

Step 2 - Cap calculation.

Movable equipment cost for each hospital was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994), then arrayed by peer group from high to low to determine the median cost for the peer group. Movable equipment cost for each hospital/unit above the median was capped at the median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 3 - Calculation of blended component.

A blended component for each hospital was calculated comprised of 70% of the peer group median and 30% of the hospital-specific component (capped at the median).

Step 4 - Calculation of capped weighted average.

A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (capped at the median) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals/units in the group.

Step 5 - Determination of hospital-specific component.

Each hospital's movable equipment cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

Costs are inflated for each subsequent non-rebasing year when the state legislature allocates funds for this purpose.

d. **Operating cost.**

Step 1 - Peer grouping.

Separate operating cost component caps were established for each general hospital peer group, specialty hospital peer group and specialty unit peer group. In the case of a group with only one hospital, the hospital specific cost is used.

TN# 02-21

Approval Date

JAN 23 2003

Effective Date

DEC 4 2002

Supersedes

TN#

02-14

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE OF LOUISIANA

ATTACHMENT 4.19-A
Item 1, Page 7

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES
METHODS AND STANDARDS FOR ESTABLISHING RATES - IN-PATIENT HOSPITAL CARE

Step 2 - Supplementation.

Operating cost for each hospital was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994), then arrayed by peer group from high to low to determine the weighted median cost for the peer group. In peer groupings with less than three facilities, the median is used. In the case of a group with only one facility, the facility-specific cost is used. For those hospitals below the weighted median, the operating cost was supplemented by 25% of the difference between the hospital-specific cost per day and the median cost per day for the peer group.

Step 3 - Cap calculation.

Operating cost for each hospital as determined in Step 2 was arrayed by peer group from high to low to determine the weighted median cost for the peer group. Operating cost for each hospital/unit above the weighted median was capped at the weighted median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 4 - Calculation of blended component.

A blended component for each hospital was calculated comprised of 70% of the peer group weighted median and 30% of the hospital-specific component (as supplemented in Step 2 and capped in Step 3).

Step 5 - Calculation of capped weighted average.

A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (as supplemented in Step 2 and capped in Step 3) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals/units in the group.

Step 6 - Determination of hospital-specific component.

Each hospital's operating cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

Costs are inflated for each subsequent non-rebasing year when the state legislature allocates funds for this purpose.

6. Calculation of Payment Rates

Individual facility rates are calculated annually by adding together the four components listed above for each facility.

TN# 02-21 Approval Date JAN 23 2003 Effective Date DEC 4 2002
Supersedes
TN# 02-14